

# INSIDE THE SHADOW NETWORK

■ It could be called the subcontracting of affairs of state, when wars are waged and diplomacy is done by private as well as government hands. The unofficial players today are a curious mix of the mighty and the obscure—philanthropists, retired generals, ex-CIA agents, business tycoons and small-town adventurers. Some are moved by patriotic, anti-Communist zeal, others by the dollar.

But all belong to a nether world of free-lancers who have come to play an increasingly important role in Ronald Reagan's Presidency, often doing what government itself cannot legally do. They thrive on secrecy. Now, with the discovery of White House aide Oliver North's seeming excesses in the Iranian fiasco, attention is focusing on a shadow network that helps skirt accountability—and how the effort apparently spun out of control, jeopardizing an important pillar of Reagan foreign policy.

The roles of this private army of experts and zealots are many. Their efforts can be seen on the battlefields of Nicaragua, Afghanistan and Angola. They can be seen in the freeing of American hostages in the Mideast, the leveraging of Jewish dissidents out of the Soviet Union and in the search for missing POW's in Southeast Asia. Their missions take them from Moscow to San Salvador, from Manila to Pretoria.

The phenomenon is not entirely new. Presidents going all the way back to George Washington have often leaned on private citizens to tread where government dared not go. But few Presidents have made such heavy use of these sources for covert operations as Ronald Reagan. The tendency flows naturally from a Reagan doctrine conceived to roll back Soviet adventurism around the world and designed to promote private enterprise as the ultimate answer.

## Deep frustration

Thus it became deeply ironic that the private marketplace's inability to churn out bigger wads of cash for the *contras* served as the impetus for the scandal now rattling the White House. When private fund raising sputtered, North apparently turned to shadowy, possibly illegal back-channel methods—circumventing not only committees of Congress, but the State Department and other pin-striped bureaucracies.

There is another factor, too, in the Reagan administration's growing reli-

ance on private sources for foreign-policy help. Unlike most predecessors—Jimmy Carter being the most obvious exception—he confronts a thicket of post-Watergate and post-Vietnam laws intended by Congress to curb abuses of executive-branch power. Reagan's election promised daring things abroad, a shedding of a debilitating Vietnam syndrome. With legal

curbs blocking the way, the administration early on began dealing with private emissaries—hands-on ideologues—gambling that success would breed success and maybe even recoup lost Oval Office powers. "Our problem is that we have a government and a country that is profoundly divided over what America's objectives in foreign policy should be, and even over what regimes are the real enemies of what we believe in," insists Pat Buchanan, White House communications chief. "That's just a fact of life that didn't exist in the 1950s, and it complicates everything we do."

The Reagan team switched on one such channel in November as word swept through Manila of a likely move to depose Corazon Aquino. *U.S. News* has learned that former CIA Deputy Director Ray Cline and retired Lt. Gen. Robert Schweitzer, with White House guidance and encouragement, flew to the Philippines to secretly caution Defense Minister Juan Ponce Enrile against a coup. In 3 hours of meetings, say officials, the two made plain that the U.S. could back no move that might destabilize the Aquino government. By sending word via unofficial means, the White House avoided the appearance of meddling in another nation's affairs. The move, in short, had the singular virtue of "plausible deniability."

## Conflicting visions

Nowhere has the trend toward privatization of foreign policy been so apparent as in Central America. In Nicaragua, the chance to counter Soviet influence quickly became the Reagan team's most passionate foreign-policy objective, both by virtue of obvious strategic concerns and a conservative clamor for roughing up the Sandinistas. But there were problems. What Reagan saw as his shot for a great triumph was also the source of Congress's greatest fear—the prospect of a Vietnam-style conflict evolving in the jungles of Central America.

The administration was thus compelled to pin its hopes on a small band of Honduras-based guerrillas, the *contras*. But in 1982, Congress began imposing limits on covert aid to the rebels. Compounding the problem was the reluctance of the Pentagon to "donate" weapons to the *contras* from its own

stocks for which it would not be reimbursed. In late 1983, for example, the CIA—having exhausted its available funds for covert aid—asked the Defense Department to secretly provide \$100 million in weapons to the *contras*. Code-named "Elephant Herd," the CIA tally was dubbed the "Christmas List" at the Pentagon and later whittled down to \$12 million in arms, which were turned over to the CIA for shipment to the *contras*.

In 1984, following the CIA's mining of Nicaragua's harbors, Congress shut off funding for military aid entirely and prohibited any "direct or indirect" help by U.S. government officials. The action surprised no one at the White House, which had been preparing for the development by nurturing private *contra* sponsors. "The handwriting was on the wall in 1982," says a former senior administration official. "We knew we had to do something to keep a pipeline to the *contras*."

## Private support

Oliver North, acting with National Security Adviser Robert McFarlane's apparent blessings, was the point man delegated to keep the money flowing. By 1984, millions in U.S. money and goods were again moving south, this time out of the pockets of private groups that continue to operate today.

Two of the most active support groups are the World Anti-Communist League and its U.S. chapter, the United States Council for World Freedom. The League was founded by retired Army Maj. Gen. John K. Singlaub, who was fired by Carter as chief of staff of U.S. forces in South Korea in 1977 for criticizing the President. Adolfo Calero, chief of the main *contra* faction, said last year that various private groups in the U.S. had provided \$10 million through mid-1985, and that a big share came through Singlaub's groups. Estimates of private contributions to the *contras* go as high as \$25 million. The aid, far less than the rebels got from Washington, was enough to keep the movement from collapsing entirely.

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Even more important to the resupply effort is another retired general, Maj. Gen. Richard Secord, who accompanied McFarlane on his Iran mission. Secord's main contribution to the *contra* cause has been weapons. *U.S. News* has learned that his involvement began as early as 1982, when Secord was in charge of a secret operation—authorized by the Pentagon—in which Israel shipped tons of weapons captured during its invasion of Lebanon to a CIA arms depot in San Antonio. From Texas, the guns were shipped to the *contras*. In mid-1983, the general left active duty and went into private business. One deal included arranging for the purchase of aircraft for the *contras*. Reports say he also helped raise large amounts of money for the rebels from the Saudis and other sources. His expertise, says one admirer, is that he is an "expediter. He can move things from one place to another almost immediately, and that's the heart of special operations."

Starting in 1983, Secord and associates created a private network under National Security Council staff guidance to undertake the legal supply of humanitarian aid as well as possibly illegal stocks of weapons to the *contras*. The need arose when Congress banned all CIA involvement in the guerrilla

war, including activity by its so-called proprietary companies—those owned and operated by the agency. Intelligence officials and documents reveal that by late 1985 the biggest part of the resupply was being carried out by Secord and two retired Air Force colonels, Richard Gadd and Robert Dutton, with whom he served in the service's special-operations division.

The arms-laden C-123 that crashed in October in Nicaragua was serviced by Southern Air Transport, a Miami-based air-cargo carrier that was a CIA proprietary firm until 1973. Military sources say that the Pennsylvania company, Corporate Air Services, that paid surviving crew member Eugene Hasenfus is linked to Gadd. Secord and Dutton are affiliated with Stanford Technology Trading, one of several companies based in the Virginia suburbs of Washington connected to companies in Switzerland that have funneled profits from weapons sales to Iran to the *contras*. One covert-missions planner says North turned to Secord because "the CIA and NSC have no capability to do things in a secure fashion. You want to do something quietly, then you can't tell bureaucracies. Here's a guy who can go to key people in foreign countries and get things done. As a private citizen, he has no obligation to tell anyone."

The administration also was making heavy use of a former Indiana farmer named John Hull, owner of a Costa Rican farm near the Nicaraguan border. Hull has reportedly served as a liaison to the rebels, who use his airstrip. By some

accounts—denied by Hull and the White House—he received \$10,000 a month from the NSC in 1984-85. He denies any CIA connections and says that he helps only wounded *contras* and refugees.

#### Prime operators

Today, there are basically three types of commercial operations still assisting on covert missions, whether in Central America or elsewhere: The proprietaries, created and run by the federal government solely for clandestine work; consultants—known as Beltway spy bandits—who have long-term contracts with the government intelligence agencies, and free-lance consultants hired for a single quick job. Intelligence sources say at least a dozen "private" American companies have been involved in covert electronic surveillance of both the Sandinistas and Salvadoran rebels.

The resupply effort mounted at the behest of the Reaganites also relies on dozens of groups and individuals drawn to the cause by a mixture of humanitarian concerns, the promise of adventure and conservative ideology.

Civilian Materiel Assistance is the 5,000-member creation of Thomas V. Posey, a former Marine who fought in Vietnam. By several accounts, CMA supplies arms and military training of *contra* forces and helped organize the rebels' southern front in Costa Rica. Posey's Central American role began when an American official in Honduras arranged for him to meet a rebel contact. In 1984, two members of Posey's group were killed when Nicaraguan troops downed their helicopter. Posey says his organization now focuses on humanitarian aid. Robert K. Brown, editor and publisher of *Soldier of Fortune* magazine—a publication that caters mostly to armchair adventurers—has sent uniforms and other battlefield gear.

Other American aid to the region has

been more benign. The Connecticut-based AmeriCares Foundation, for instance, has provided \$30 million in medical aid to Honduras, El Salvador and Guatemala, parceled out by the Knights of Malta, a Roman Catholic organization. Another group formed by State Representative Woody Jenkins of Louisiana, called Friends of the Americas, has raised \$1.5 million for Nicaraguan refugees, including the beleaguered Miskito Indians. Bert Hurlbut, a Texas businessman, says he has raised "well over \$500,000 for freedom fighters all over the world"—including the *contras*.

#### Varied sponsors

The privatizing of foreign policy, while most glaring in Central America, is by no means limited to that part of the world, nor is it always sanctioned. Acting on its own, for example, millionaire businessman Lewis Lehrman's Citizens for America group held a 1985 "freedom fighter" conference in Angola that flagged U.S. support for Jonas Savimbi, the *contras* and the guerrillas in Afghanistan. Armand Hammer, the globe-trotting industrialist, played his

trade card with the Soviet Union to win the release of Jewish dissident David Goldfarb at a sensitive moment in U.S.-Soviet relations last October. Texas billionaire H. Ross Perot not only rescued his own employes from an Iranian jail in 1979 but, at Oliver North's instigation, offered a \$2 million ransom for hostages held in Lebanon; the trade never occurred. James "Bo" Gritz, a former Green Beret in Vietnam, conducted at least two privately financed missions in quest of missing American

POW's. One of his principal backers is believed to be tough-guy actor Clint Eastwood.

Private arms dealers, too, have carved out an aggressive role for themselves. Today they both counsel governments and act, in effect, as diplomats for hire. Two Israeli dealers cut the arms sale to Iran that preceded the 1985 release of American hostage Benjamin Weir from Lebanon. They were part of a covert deal brokered in part by Saudi billionaire Adnan Khashoggi, himself an arms dealer with ties to North and McFarlane. Washington has on at least one occasion turned to Lebanese arms merchant Sarkis Soghanalian, who in 1984 was beckoned when Washington decided to improve relations with Iraq by sending the Arab nation 45 unarmed

helicopters. He is now under indictment for shipping arms to Nicaraguan rebels—a machine-gun-equipped Bell combat helicopter. His lawyer says Soghanalian was acting with at least tacit encouragement from the administration. The claim is denied by federal prosecutors.

#### Hired agents

In this administration, there has been a marked increase in the use of former intelligence professionals to carry out covert missions in support of foreign-policy goals. This has been especially evident in Central America, where scores of former agents—many of them cashiered by then CIA Director Stansfield Turner during the late 1970s—have been rehired on contract to act as emissaries and give military advice. Some of the new contract arrangements, say intelligence sources, plainly skirt accountability requirements mandated by Congress. "The CIA is a little bit like the Mafia or church in that you don't ever really leave it," says David Wise, author of several books about the spy trade.

In Washington, many of the old espionage hands pressed back into service congregate at a hotel bar called Gambits near the Pentagon. There they swap war stories about the old days and, more important, information about new contracts and opportunities. "The place is awash with spooks, ex-spooks, anti-spooks, KGB guys," says one Defense Department operative. "It's like the old *Mad Magazine's* 'Spy vs. Spy.'"

There is plenty of historical antecede-

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ent for what has happened in the Reagan Presidency. The use of furtive back-channel contacts to circumvent the regular foreign-policy bureaucracy became close to an art form during Henry Kissinger's tenure as Secretary of State and National Security Adviser. The Reagan White House wasted no time in following suit. Soon after the President took office, in fact, then Secretary of State Alexander Haig secretly encouraged Middle East expert John Edwin Mroz, a private citizen, to open a controversial series

of contacts with Palestinian leader Yasir Arafat.

Defenders of this trend hold that it is a necessary prerogative of any President. Pat Buchanan, for one, points out that Franklin D. Roosevelt used well-heeled New York friends to get secret aid to wartime Britain in the days before Pearl Harbor legitimized direct support. Another President, Woodrow Wilson, preferred to send his own personal agent to Europe rather than the pacifist Secretary of State William Jennings Bryan. Each President has had his own way around the competing bureaucracies. For Dwight Eisenhower, it was the elevation of the CIA; for Lyndon Johnson, it was extraordinary use of the Pentagon. For Ronald Reagan, it has mostly been his

National Security Council staff.

Reagan loyalists argue that the decision to go outside regular channels, even if it means occasional subterfuge, was thrust upon the White House by leaks from congressional committees. Says Assistant Secretary of State Elliott Abrams: "How the hell do you conduct diplomacy when they leak like sieves? The last two times I testified in the House in secret hearings, I had a leak the same day. That is what promotes efforts to use more-secure means of conducting government. But is it a great idea? No, it is not a great idea."

#### **Pulling in the reins**

Like many others who serve the President, Abrams holds that business would be done much differently if a single congressional panel rode herd over all intelligence, whether it be facts about rebel activities in Central America or details of U.S. spying abroad. But leaks come from the White House as well—and in any event, the odds of a streamlined reporting process in the aftermath of the Iran scandal must be rated slim to none. The pendulum, much to Reagan's chagrin, is almost certain to swing in the opposite direction, toward even stronger surveillance by lawmakers. The President who so badly wished to reverse the post-Watergate trend toward more checks and balances on the Oval Office may have served mostly to reinforce it. ■

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### **A TANGLED TRAIL OF MONEY AND GUNS**

Since the crash of the arms-filled C-123 in Nicaragua on October 5 with Eugene Hasenfus aboard, some of the supply links to the *contras* have become clearer.

#### **■ MONEY**

Funds for the *contras* have come from a variety of sources, including the State Department, private American organizations, foreign allies and profits from the sale of Iranian weapons.

Best estimates of the total amount of money for the *contras* from 1984 until now is \$110 million to \$130 million. This includes \$87 million in U.S. government aid, \$10 million to \$25 million in private

American donations, \$10 million to \$20 million in foreign contributions and \$10 million to \$30 million from the sale of Iranian weapons. The *contras* deny receiving all the money allegedly raised. Elliott Abrams, the assistant secretary of state who oversees official U.S. funding, says that the *contras* seemed to be going "broke" in 1985 and that he "saw no evidence of huge chunks of money."

#### **■ ARMS**

Most of the weapons received by the *contras* are believed to have been obtained overseas from Israel and assorted brokers based in London, Portugal and the Middle East. Some

planes have come from the United States.

Most of the weapons shipped have been small arms and ammunition of East European and Soviet origin, although more sophisticated weapons, including SAM-7 missiles, are known to have been received by the *contras*.

#### **■ TRANSPORT**

Planes on contract to fly non-lethal supplies to the *contras* have been observed unloading cargo in Honduras and El Salvador and reloading with weapons for delivery to the *contras*.

Other shipments have been delivered by sea, according to intelligence sources.